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FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/06
SPONSOR SFC **LAST UPDATED** 2/15/06 **HB** _____

SHORT TITLE Gila Regional Medical Center Cancer Funding **SB** 229/SFCS/aHTRC

ANALYST Kehoe/Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	599.2	593.2	Recurring	Rural County Cancer Treat- ment Fund
	195.6	193.6	Recurring	General Fund
	55.6	55.0	Recurring	General Fund: NMFA/CEA
	6.9	6.9	Recurring	UNM Cancer Center
	7.4	7.3	Recurring	NM Finance Authority
	48.0	47.5	Recurring	NMFA/UNM Health Sciences
	22.1	21.8	Recurring	NMFA/Departm ent of Health
	6.9	6.9	Recurring	County and Municipal Rec- reation Fund
	7.8	7.8	Recurring	County and Municipal Ciga- rette Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
 New Mexico Finance Authority (NMFA)
 Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amended Senate Bill 229 substitute to modify the discount rates that vendors receive on the purchase of tax stamps. The amendment also makes some technical changes including requiring serial numbers on tax stamps and stipulating that only TRD can sell stamps and only to distributors.

Synopsis of Bill

The Senate Finance Committee Substitute for Senate Bill 229 authorizes the New Mexico Finance Authority (NMFA) to issue additional revenue bonds, payable from a distribution of the cigarette tax, for the Regional Cancer Treatment Center at the Gila Regional Medical Center in Grant County. The NMFA, upon a certification of need by the chair of the Board of County Commissioners of Grant County, may issue and sell revenue bonds in an amount not to exceed \$2.5 million for the purpose of designing, constructing, equipping and furnishing additions and improvements to the Regional Cancer Treatment Center at the Gila Regional Medical Center in Grant County. The bond proceeds are to be appropriated to the Local Government Division of the Department of Finance and Administration for the infrastructure described in this bill.

The bill creates a rural county cancer treatment fund within NMFA comprised of appropriations, donations, distributions of the cigarette tax, and money earned from investment of the fund and otherwise accruing to the fund. The money in the fund provides NMFA with a revenue stream to finance the construction of cancer treatment facilities in Class B counties. Balances in the fund at the end of a fiscal year shall not revert.

The bill also changes the Cigarette Tax Act in two ways. First, it decreases the vendor discount rate that vendors receive for the purchase of cigarette tax stamps. Second, it alters the distributions of the cigarette tax revenues for the other beneficiaries to allow a 1 percent distribution to the rural county cancer treatment fund.

FISCAL IMPLICATIONS

The cigarette tax revenue collection is approximately \$60 million annually, of which 55 percent is transferred to the general fund. This bill proposes distributing 1% of the net receipts, exclusive of penalties and interest, of the cigarette tax to NMFA for the purpose of issuing the bonds.

The fiscal impact is designed to provide revenue for the new fund without decreasing the revenue currently being distributed since much of that revenue is used for bond financing of projects. The vendor discount rates were lowered as indicated in the table one. This change yielded sufficient revenue for the rural county cancer treatment fund distribution without significantly affecting the other funds. In FY07, the net increase in revenue is \$950 thousand and in FY08 it is \$940 thousand.

Table two shows how the distributions change and what the net impact is. The impact on all beneficiaries will be positive.

Table One: Revenue Impact Due to Change in Vendor Discount Rates
FY07

	Current Rates		Proposed New Rates	
Less than \$1,000	0%	-	0.0%	-
\$1,000 to \$30,000	4%	1,897,875	1.0%	1,957,184
\$30,000 to \$60,000	3%	2,250,960	0.8%	2,302,013
Greater than \$60,000	2%	54,825,181	0.5%	55,664,342
Total Revenue		58,974,016		59,923,538
Net Impact		949,522		

FY08

	Current Rates		Proposed New Rates	
Less than \$1,000	0%	-	0.0%	-
\$1,000 to \$30,000	4%	1,878,896	1.0%	1,937,612
\$30,000 to \$60,000	3%	2,228,450	0.8%	2,278,993
Greater than \$60,000	2%	54,276,928	0.5%	55,107,698
		58,384,275		59,324,302
Net Impact		940,027		

Table Two: Impacts on Beneficiaries

FY07 Impact

	Current Distribution		New Revenue	New Distribution		Impact
C/M Rec Fund	1.36%	802,047	814,960	1.35%	808,968	6.9
C/M Cig Fund	2.72%	1,604,093	1,629,920	2.69%	1,611,943	7.8
UNM Cancer	1.36%	802,047	814,960	1.35%	808,968	6.9
NMFA	2.04%	1,203,070	1,222,440	2.02%	1,210,455	7.4
UNMH	14.52%	8,563,027	8,700,898	14.37%	8,611,012	48.0
NMFA/Dept of Health	6.11%	3,603,312	3,661,328	6.05%	3,625,374	22.1
NMFA/CEA	15.95%	9,406,356	9,557,804	15.79%	9,461,927	55.6
Rural County Cancer Fund		-	-	1.00%	599,235	599.2
General Fund	55.94%	32,990,065	33,521,227	55.38%	33,185,655	195.6
TOTAL		58,974,016	59,923,538			949.5

FY08 Impact

	Current Distribution		New Revenue	New Distribution		Impact
C/M Rec Fund	1.36%	794,026	806,811	1.35%	800,878	6.9
C/M Cig Fund	2.72%	1,588,052	1,613,621	2.69%	1,595,824	7.8
UNM Cancer	1.36%	794,026	806,811	1.35%	800,878	6.9
NMFA	2.04%	1,191,039	1,210,216	2.02%	1,198,351	7.3
UNMH	14.52%	8,477,397	8,613,889	14.37%	8,524,902	47.5
NMFA/Dept of Health	6.11%	3,567,279	3,624,715	6.05%	3,589,120	21.8
NMFA/CEA	15.95%	9,312,292	9,462,226	15.79%	9,367,307	55.0
Rural County Cancer Fund		-	-	1.00%	593,243	593.2
General Fund	55.94%	32,660,164	33,186,015	55.38%	32,853,799	193.6
TOTAL		58,384,275	59,324,302			940.0

The provisions of the bill indicated the term of the bond issuance proposed in this bill may not exceed 20 years. However, NMFA estimates financing could go up to seven years, depending on

interest rates and stability of the cigarette tax revenue collections based on the certain assumptions such as: revenue projections based on a two percent decline, the revenue is used to maximize principal repayment, and no other debt is issued against the proposed distribution.

OTHER SUBSTANTIVE ISSUES

Under provisions of this bill, NMFA estimates financing could go up to seven years depending on interest rates and the stability of the cigarette tax revenue collection based on the following assumptions: revenue projections based on a two percent decline, the revenue is used to maximize principal repayment, and no other debt is issued against the distribution proposed in this bill.

Current law allows cigarette stamps to be sold to cigarette vendors at a discount. In 2003, the tax on cigarettes went up from \$0.015 per cigarette to \$0.0455 per cigarette, or 21 cents per pack to 91 cents per pack of 20 cigarettes. According to TRD, the effective rate of the vendor discount is 2.2 percent which means that most of the stamps are subject to the 2 percent rate. Presumably, the discount is to compensate vendors for the application and affixing of the cigarette stamps. Without any change in the volume of stamps, vendors received a discount of \$1.4 million after the tax hike compared to a discount of \$313 thousand prior to the tax hike (Table).

Vendor Impact from Tax Hike	Effective Stamp Price Before Hike	Effective Stamp Price After 2003 Hike	Discount Before 2003 Hike	Discount After 2003 Hike
0%	0.21	0.91	-	-
4%	0.2016	0.8736	(53,116)	(230,169)
3%	0.2037	0.8827	(24,750)	(107,250)
2%	0.2058	0.8918	(235,289)	(1,019,586)
Difference			(313,155)	(1,357,005)

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